



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

July 2, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*
Auditor-Controller

SUBJECT: **DOOR OF HOPE COMMUNITY CENTER, INC. CONTRACT -
WORKFORCE INVESTMENT ACT YOUTH PROGRAM**

We have conducted a program, fiscal and administrative contract review of Door of Hope Community Center, Inc. (Door of Hope or Agency), a Workforce Investment Act (WIA) Program service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Door of Hope, a private non-profit organization to provide and operate the WIA Youth program. The WIA Youth program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. Door of Hope is located in the First District.

Door of Hope is compensated on a cost reimbursement basis. Door of Hope was paid approximately \$176,000 in Fiscal Year (FY) 2005-06 and Door of Hope's contract for FY 2006-07 is for approximately \$160,000.

Purpose/Methodology

The purpose of the review was to determine whether Door of Hope complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's

"To Enrich Lives Through Effective and Caring Service"

accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Overall, Door of Hope provided the services in accordance with the County contract. The Agency maintained appropriate documentation to support the participants' eligibility for receiving program services and program expenditures billed to DCSS. In addition, the Agency appropriately allocated shared costs and ensured that program funds were deposited timely in the Agency's bank account.

Door of Hope did not always accurately update the Job Training Automation (JTA) system to report the program activities. The services provided to three (30%) of the ten participants sampled were not accurately reported on the JTA system. In addition, Door of Hope did not obtain criminal clearances for four staff prior to them working on the WIA program.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Door of Hope on May 7, 2007. In their attached response, Door of Hope concurred with our findings and recommendations and attached a check for \$453, the unreconciled balance in their bank account. We also notified DCSS of the results of our review.

We will follow up on our recommendations during next year's monitoring review. We thank Door of Hope for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: David E. Janssen, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Shirley Melendez, President and CEO, Door of Hope Community Center, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
DOOR OF HOPE COMMUNITY CENTER, INC.
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Door of Hope Community Center, Inc. (Door of Hope or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We selected a sampled of ten (15%) youth program participants from a total of 67 participants that received services from March to November 2006 and reviewed their case files for documentation to confirm their eligibility for WIA services.

Results

All ten participants met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (15%) participants that received services from March to November 2006. We also interviewed three participants/guardians.

Results

Three participants/guardians interviewed confirmed that the Agency provided the required services and all ten participants' case files sampled contained documentation to support the services billed to DCSS. However, Door of Hope did not accurately

update the program activities for three (30%) of the ten participants on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. Subsequent to our review, the Agency updated the JTA system for the three participants.

Recommendation

- 1. Door of Hope management ensure that staff accurately update the JTA system to reflect the participants' program activities.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for September 2006.

Results

Door of Hope maintained adequate controls to ensure that revenue was deposited in a timely manner. However, the bank reconciliation was not performed correctly. The book balance did not agree with the check register or general ledger and reconciling items totaling \$1,001 were not supported with adequate documentation. In addition, approximately 45% of the \$1,001 had been outstanding since 2004.

Recommendation

- 2. Door of Hope management ensure that bank reconciliations are performed correctly and reconciling items are resolved in a timely manner.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 11 (40%) non-payroll expenditure transactions billed by the Agency for August to October 2006, totaling \$6,370.

Results

Door of Hope's expenditures were allowable, properly documented and accurately billed to DCSS.

Recommendation

There are no recommendations in this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed the Agency's policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

Generally, Door of Hope maintained sufficient internal controls over its business operations. However, Door of Hope did not have a building permit.

Recommendation

3. Door of Hope management obtain a building permit.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Door of Hope's fixed assets and equipment purchased with WIA funds are used for the WIA program and are safeguarded.

Verification

We conducted a physical inventory of the 16 items funded by WIA funds which totaled approximately \$5,100.

Results

We verified that 12 items located at WIA office were used by WIA program. However, the remaining four items (three computer monitors and a printer) totaling \$800 were not in the computer lab as indicated on the inventory listing. Subsequent to our review, all four items were located.

Recommendation

- 4. Door of Hope management ensure that equipment purchased with WIA funds are safeguarded.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenditures invoiced for five employees totaling \$4,886 (56%) in October 2006 to the payroll records and time reports. We also interviewed one staff and reviewed the personnel files for five staff assigned to the WIA program.

Results

Door of Hope appropriately charged payroll expenditures to the WIA program. However, Door of Hope did not obtain criminal clearances for four (80%) of five employees as required by the County contract. Subsequent to our review, Door of Hope obtained criminal clearances for all four employees.

Recommendation

- 5. Door of Hope management ensure that all staff working on the WIA program obtain criminal clearances.**

COST ALLOCATION PLAN

Objective

Determine whether Door of Hope's Cost Allocation Plan is prepared in compliance with the County contract and appropriately applied to program costs.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency from August through October 2006 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

Door of Hope's Cost Allocation Plan complied with the County contract requirements and costs were appropriately allocated.

Recommendation

There are no recommendations in this section.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced and agreed Door of Hope's FY 2005-06 General Ledger total to the Agency's final close-out invoice for FY 2005-06.

Results

Door of Hope's final close-out invoice reconciled to the Agency's financial records.

Recommendation

There are no recommendations in this section.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from Fiscal Year (FY) 2005-06 monitoring review were implemented. The report was issued in July 2006.

Results

The prior year's monitoring report contained three recommendations and Door of Hope implemented all three recommendations.

Recommendation

There are no recommendations for this section.

DOOR OF HOPE COMMUNITY CENTER

“Where Hopes Become Reality”

1414 S. Atlantic Blvd.
Los Angeles, CA 90022
(323) 262-2777 Fax (323) 262-3610

June 4, 2007

County of Los Angeles
Department of Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

Attn: J. Tyler McCauley, Auditor-Controller

Dear Mr. McCauley

This letter is in response to your monitoring that was conducted for our Workforce Investment Act (WIA) Youth Program. The Auditor Controller's Monitoring Division observed the following that required our corrective action:

BILLED SERVICE/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 10 (15%) participants that received services during March to November 2006. We also interviewed three participants/guardians.

Results

Three participants/guardians interviewed confirmed that the Agency provided the required services and all ten participants' case files sampled contained documentation to support the services billed to DCSS. However, Door of Hope did not accurately update the program activities for three (30%) of the ten participants on the Job Training Automation (JTA) system. The system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. Subsequent to our review, the Agency updated the JTA system for the three participants.

Recommendation

Door of Hope management ensure that staff accurately update the JTA system to reflect the participant's program activities.

Corrective Action Plan

Door of Hope was given the wrong information for the employment activity code for the JTA system from CSS/MIS Department from Humberto Chairez. We called Humberto that day when we got audit and he spoke to the auditors and we finally got this situation resolve and Humberto did admit that he did give us Door of Hope the wrong information so that day on we corrected our files and the JTA system and we have been adding the correct activity from that day on.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for September 2006.

Results

Door of Hope maintained adequate controls to ensure that revenue was deposited in a timely manner. However, the bank reconciliation was not performed correctly. The book balance did not agree with the check register or general ledger and reconciling items totaling \$1,001 were not supported with adequate documentation. In addition, approximately 45% of the \$1,001 had been outstanding since 2004.

Recommendation

Door of Hope management ensure that bank reconciliation is performed correctly and resolve reconciling items in a timely manner.

Corrective Action Plan

Response to finding the Door of Hope Center, changed bookkeeper on June 30, 2005. At that time an unreconciled amount of \$453 was discovered. The process for completion of the monthly billing was the following: The Executive Director wrote and recorded expenditures the in the check register and then all checks with appropriate documents are sent to the bookkeeper on a few occasion the following items were not include in the check register the were cost to the WIA program: 1) Bank fees and payroll. The bookkeeper included these cost in general ledger.

New Procedures for Documenting Expenditures

Door of Hope Community Center has since identify and changed processing procedures for the way recording expenditures into the check register. The Executive Director writes checks each month and records into check register. The Director, then reviews to make sure all banks charges, or any other payments each month is included in check register before it information is

sent to the bookkeeper each month. These new step taken by Door of Hope Center has cleared up any issue of the book balance, check register and general ledger not matching.

A check in the amount of \$453.00 for the unreconciled amount on bank statement as of September 2006, which is the 45% of the \$1001 will be mailed with the original response letter

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transaction in various areas such as cash, expenditures, payroll and personnel.

Results

General, Door of Hope maintained sufficient internal controls over its business operations. However, Door of Hope did not have a building permit.

Corrective Action Plan

Door of Hope never had a building permit since the history of Door of Hope Community Center but we will do our best to receive a building permit.

FIXED ASSESTS AND EQUIPMENT

Objective

Determine whether Door of Hope's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We conducted a physical inventory of the 16 items funded by WIA funds which totaled approximately \$5,100.

Results

We verified that 12 items located at WIA office were used by WIA program. However, the remaining four items (three computer monitors and printer) totaling \$800 were not in the computer lab as indicated on the inventory listing. Subsequent to our review, all four items were located at the computer lab.

Recommendation

Door of Hope management ensures that equipment purchased with WIA funds are safeguarded.

Corrective Action Plan

The remaining 4 items (three computers and a printer) were in the computer lab; however the identification tags had been removed. On the follow up visit the tags identified the four items in question.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses invoiced for five employees totaling \$4,886 (56%) in October 2006 to the payroll records and time reports. We also interviewed one staff and reviewed the personnel files for five staff assigned to the WIA program.

Results

Door of Hope appropriately charged payroll expenses to the WIA program. However, Door of Hope did not obtain criminal clearances for four (80%) of five employees as required by the County contract. Subsequent to our review, Door of Hope obtained criminal clearances for all four employees.

Recommendation

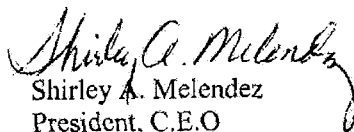
Door of Hope management ensure that all staff working on the WIA program obtain criminal clearances.

Corrective Action Plan

Door of Hope staff working on the WIA program did obtain criminal clearances and are in their files.

If you have any questions, please feel free to contact me at (323) 262-2777

Sincerely,


Shirley A. Melendez
President, C.E.O